GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

Fiscal Note 2017 Biennium

Bill #	HB0455	**Title:**	Generally revise medicaid laws
Primary Sponsor:	Ballance, Nancy	**Status:**	As Introduced

☐ Significant Local Gov Impact ☑ Needs to be included in HB 2 ☑ Technical Concerns

☐ Included in the Executive Budget ☑ Significant Long-Term Impacts ☐ Dedicated Revenue Form Attached

FISCAL SUMMARY

	FY 2016 Difference	FY 2017 Difference	FY 2018 Difference	FY 2019 Difference
Expenditures:				
General Fund	$27,951,223	$32,155,601	$30,762,945	$33,283,036
Federal Special Revenue	$53,572,627	$60,636,440	$56,108,854	$60,694,313
Revenue:				
General Fund	$0	$0	$0	$0
Federal Special Revenue	$53,572,627	$60,636,440	$56,108,854	$60,694,313
Net Impact-General Fund Balance:	($27,951,223)	($32,155,601)	($30,762,945)	($33,283,036)

Description of fiscal impact: HB 455 proposes to generally revise Medicaid laws to extend coverage under the existing Medicaid program, allow the use of medication management in the Medicaid program, establish a wellness pilot program, establish a committee on Medicaid coverage models and reform, provide a one-time appropriation for the 2017 biennium to fund slots for the home and community based waivers in the developmental services division, the addictive and mental disorders division, and the senior and long term care division, and provides an effective date.

FISCAL ANALYSIS

Assumptions:

Department of Public Health and Human Services (DPHHS)

1. The table on page four includes the following assumptions:
   1) The department will accept self-attestation as a valid method to determine income and resources for the following populations:

a. Adult Benefits
    i. Estimated number of newly eligible clients.
        1. There are an estimated 9,554 adults eligible over the next four years.
        2. The take- up rate is 85% for uninsured and 70% for privately insured.
        3. A phase-in for enrollment will occur over four years.
        4. It is estimated enrollment will grow at the Montana population growth over the last 5 years of 0.80% per year.
    ii. Estimated medical service costs for the newly eligible clients.
        1. The average medical service cost for FY 2016 is $504.62 per client per month.
        2. Medical service costs increase by approximately 6 % annually.
        3. Under the Affordable Care Act, the Centers for Medicaid and Medicare Services and the Department of Health and Human Services do not provide for a phased-in or partial Medicaid expansion. Consequently, medical services will receive the standard Federal Medical Assistance Percentage (FMAP).
        4. The FMAP for each state fiscal year is a blended rate:
            a. FY 2016 is 34.68% state funding/65.32% federal funding.
            b. FY 2017 is 35.01% state funding/64.99% federal funding.
            c. FY 2018 is 35.06% state funding/64.94% federal funding.
            d. FY 2019 is 35.06% state funding/64.94% federal funding.

b. Adult Administrative Costs
    i. Administrative costs include eligibility determination, program management, and quality control functions.
        1. The administrative cost is estimated to be $17.52 per member per month for FY 2016. The estimated per client costs decline in subsequent years as more clients enroll.
        2. Administrative costs receive an administrative federal participation rate at 50% state funding/50% federal funding.

c. Estimated impact of inmate medical expenses
    i. Inmates who meet the eligibility requirements of the newly eligible group will be considered newly eligible.
    ii. For these inmates, inpatient hospital stays as well as some pre-release medical services will be eligible.
        1. The FMAP for each state fiscal year is a blended rate:
            a. FY 2016 is 34.68% state funding/65.32% federal funding.
            b. FY 2017 is 35.01% state funding/64.99% federal funding.
            c. FY 2018 is 35.06% state funding/64.94% federal funding.
            d. FY 2019 is 35.06% state funding/64.94% federal funding.

2) Welcome Mat Clients
    a. Welcome Mat Benefits
        i. Estimated number of welcome mat clients
            1. Program implementation and public awareness are assumed to bring additional adults and children into Medicaid, who are currently eligible, but not enrolled.
            2. There are an estimated 1,453 welcome mat clients over the next four years.
            3. The take- up for the welcome mat clients is 4% for uninsured and 2% for privately insured.

4. A phase-in for enrollment will occur over four years.

ii. Estimated medical service costs for the welcome mat clients
1. Welcome mat clients will receive the standard Federal Medical Assistance Percentage (FMAP).
2. Medicaid non-disabled adults average costs are $452 per month, while Medicaid children costs are $310 per month.
3. Estimated costs for adults increase by approximately 0.004%, annually, while costs for children increase by approximately .25%, annually.

b. Welcome Mat Administrative
i. Administrative costs include eligibility determination, program management, claims processing and quality control functions.
ii. The administrative cost is estimated to be: FY 2016 = $183,674; FY 2017 = $229,997; FY 2018 = $270,074, and FY 2019 = $ 295,594.
iii. Administrative costs receive an administrative federal participation rate at 50% state funding/50% federal funding.

3) Medicaid Wellness Pilot Project
a. This would be through five providers, who would be enrolled in the Medicaid Wellness Pilot Project in different counties with one town closest to a Native American reservation:
i. A per member per month (PMPM) incentive payment to 8,567 members each month for participation in disease management and wellness activities.
ii. $10.00 PMPM for members with no chronic conditions, who stay well and participate in wellness activities (6,854 members x $10.00 x 12 months = $822,432 per year).
iii. $20.00 PMPM for members to participate in activities who have one chronic condition of asthma, hypertension, or depression (1,199 members x $20.00 x 12 months = $287,851 per year).
iv. $30.00 PMPM for members to participate in activities who have diabetes, ischemic vascular disease (IVD), or multiple chronic diseases from above in (iii) (514 members x $30.00 x 12 months = $185,047 per year).

4) Montana Medicaid program -- authorization of services (Section 5 (9))
i. Assumes all criteria and prior authorization programs are eliminated relying solely upon the prescriber determination of medical necessity. By using this interpretion of the bill, the language would have the following financial impact on the Durable Medical Equipment and the Pharmacy program, $25,948,014, and is detailed below:
1. Durable Medical Equipment (DME) is anticipated to increase in FY 2016 by $1,474,462.
2. Pharmacy costs are anticipated to increase in FY 2016 by $24,473,552.
ii. Medical service costs increase by approximately 6 % annually.
iii. Medical services will receive the standard Federal Medical Assistance Percentage (FMAP).
iv. The FMAP for each state fiscal year is a blended rate:
1. FY 2016 is 34.68% state funding/65.32% federal funding.
2. FY 2017 is 35.01% state funding/64.99% federal funding.
3. FY 2018 is 35.06% state funding/64.94% federal funding.
4. FY 2019 is 35.06% state funding/64.94% federal funding.

Summary of Financial Impacts				
	FY 2016	FY 2017	FY 2018	FY 2019
Clients:				
Clients -HB455	5,404	6,931	8,482	9,554
Welcome Mat Clients	822	1,054	1,290	1,453
Total Pilot Program Clients	8,567	8,567	8,567	8,567
Clients who do not have a chronic condition	6,854	6,854	6,854	6,854
Clients who have one chronic condition	1,199	1,199	1,199	1,199
Clients who multiple chronic conditions	514	514	514	514
Total Impact				
Administrative:				
Administrative Cost	$1,207,873	$1,512,372	$1,776,062	$1,943,884
Welcome Mat Administrative Cost	$183,674	$229,977	$270,074	$295,594
Benefits:				
Adult Benefits	$33,122,226	$41,473,745	$48,706,736	$53,311,100
Welcome Mat Benefits	$3,724,369	$4,672,329	$5,497,645	$6,028,834
Inmate Transition to Medicaid	$20,368	$88,729	$170,763	$198,108
Pilot Program				
Incentive $10 PMPM who do not have a chronic condition	$822,432	$822,432	$822,432	$822,432
Incentive $20 PMPM who have one chronic condition	$287,851	$287,851	$287,851	$287,851
Incentive $30 PMPM who multiple chronic conditions	$185,047	$185,047	$185,047	$185,047
Elimination of Prior Authorizations for Pharmacy and DME	$25,948,014	$27,504,895	$29,155,189	$30,904,499
Total Cost (State & Federal)	**$65,501,854**	**$76,777,377**	**$86,871,799**	**$93,977,349**
Federal Impact				
Administrative:				
Administrative Cost	$603,937	$756,186	$888,031	$971,942
Welcome Mat Administrative Cost	$91,837	$114,989	$135,037	$147,797
Benefits:				
Adult Benefits	$21,635,438	$26,953,787	$31,630,154	$34,620,228
Welcome Mat Benefits	$2,432,758	$3,036,547	$3,570,171	$3,915,125
Inmate Transition to Medicaid	$13,304	$57,665	$110,893	$128,651
Pilot Program				
Incentive $10 PMPM who do not have a chronic condition	$537,213	$534,499	$534,087	$534,087
Incentive $20 PMPM who have one chronic condition	$188,024	$187,074	$186,931	$186,931
Incentive $30 PMPM who multiple chronic conditions	$120,873	$120,262	$120,170	$120,170
Elimination of Prior Authorizations for Pharmacy and DME	$16,949,243	$17,875,431	$18,933,380	$20,069,382
Total Federal Cost	**$42,572,627**	**$49,636,440**	**$56,108,854**	**$60,694,313**
Montana State Impact				
Administrative:				
Administrative Cost	$603,936	$756,186	$888,031	$971,942
Welcome Mat Administrative Cost	$91,837	$114,988	$135,037	$147,797
Benefits:				
Adult Benefits	$11,486,788	$14,519,958	$17,076,582	$18,690,872
Welcome Mat Benefits	$1,291,611	$1,635,782	$1,927,474	$2,113,709
Inmate Transition to Medicaid	$7,064	$31,064	$59,870	$69,457
Pilot Program				
Incentive $10 PMPM who do not have a chronic condition	$285,219	$287,933	$288,345	$288,345
Incentive $20 PMPM who have one chronic condition	$99,827	$100,777	$100,920	$100,920
Incentive $30 PMPM who multiple chronic conditions	$64,174	$64,785	$64,877	$64,877
Elimination of Prior Authorizations for Pharmacy and DME	$8,998,771	$9,629,464	$10,221,809	$10,835,117
Total State Cost	**$22,929,227**	**$27,140,937**	**$30,762,945**	**$33,283,036**

2. Section 7, subsection (2) of the bill provides for a $16 million appropriation for each year of the biennium to fund an increase in the number of slots for the home and community based waivers in the developmental services division, the addictive and mental disorders division, and the senior and long term care division.
3. The department will support as many slots as this funding enables; however, this appropriation is one-time only and clients in these slots will need to be removed from the waiver services beginning in FY 2018.

Legislative Fiscal Division (LFD)

4. HB 455 establishes a committee on Medicaid coverage models and reforms. Section 2 provides that eight legislative members be appointed to serve on the committee. Legislative members are entitled to receive compensation and expenses as provided in 5-2-302, MCA.
5. It is estimated that, in order to complete the requirements of HB 455, the committee would need to hold three one-day meetings and five two-day meetings in Helena. The cost of conduction these meetings, including costs to produce a final report as required in section 2, subsection 7, is $21,996 in FY 2016 and $14,664 in FY 2017.
6. The total estimated general fund fiscal impact for the legislative fiscal division is $36,660. Section 7, subsection 1, of the bill provides a general fund appropriation of $35,000 to the legislative fiscal division to carry out the study provided in section 2.
7. The legislative fiscal division would add these additional duties to the division's work schedule for the 2017 interim. Legislative fiscal division work would be reprioritized based on this statutory requirement. This project would require repurposing of at least 0.5 FTE within its current staff, as well as management oversight.

	FY 2016 Difference	FY 2017 Difference	FY 2018 Difference	FY 2019 Difference
Fiscal Impact:				
DPHHS				
Expenditures:				
Operating Expenses	$1,391,547	$1,742,349	$2,046,136	$2,239,478
Benefits/Claims	$64,110,307	$75,035,028	$84,825,663	$81,737,871
Benefits - Waiver Slots	$16,000,000	$16,000,000	$0	$0
TOTAL Expenditures	$81,501,854	$92,777,377	$86,871,799	$83,977,349
Funding of Expenditures:				
General Fund (01)	$27,929,227	$32,140,937	$30,762,945	$33,283,036
Federal Special Revenue (03)	$53,572,627	$60,636,440	$56,108,854	$60,694,313
TOTAL Funding of Exp.	$81,501,854	$92,777,377	$86,871,799	$93,977,349
Revenues:				
General Fund (01)	$0	$0	$0	$0
Federal Special Revenue (03)	$53,572,627	$60,636,440	$56,108,854	$60,694,313
TOTAL Revenues	$53,572,627	$60,636,440	$56,108,854	$60,694,313
Fiscal Impact:				
Legislative Branch (LFD)				
Expenditures:				
Personal Services	$6,641	$4,428	$0	$0
Operating Expenses	$15,355	$10,236	$0	$0
TOTAL Expenditures	$21,996	$14,664	$0	$0
Funding of Expenditures:				
General Fund (01)	$21,996	$14,664	$0	$0
TOTAL Funding of Exp.	$21,996	$14,664	$0	$0
Revenues:				
General Fund (01)	$0	$0	$0	$0
TOTAL Revenues	$0	$0	$0	$0
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):				
General Fund (01)	($27,951,223)	($32,155,601)	($30,762,945)	($33,283,036)
Federal Special Revenue (03)	$0	$0	$0	$0

Long-Term Impacts:

1. This act expands access to Medicaid to eligible Montanans in partial compliance with 42 U.S.C.1396(a)(10)(A)(i)(VIII). It is estimated that 9,554 individuals will enroll in Medicaid coverage by FY 2019.

Technical Notes:

Department of Public Health and Human Services (DPHHS)

1. This Act requires approval of a state plan amendment and waivers by the Centers for Medicare and Medicaid. It will require administrative rule to be updated with the Secretary of State Office.
2. Section 5 (9) may also be interpreted as if the department would continue to prior authorize for services under the Durable Medical Equipment and Pharmacy program. However, if a prescriber request were denied and the prescriber contacted the department to request the originally prescribed product, the department would assume the requested item was medically necessary and override the previous denial. Assuming all criteria and prior authorization programs remain in place, the following costs are based on estimated prescriber established medical necessity overrides: DME $347,678, Pharmacy $4,336,445 for a total impact of $4,684,123.
3. In Section 5 (9), the prescriber will be responsible to determine the lowest cost drug or durable medical equipment (DME) item. The prescriber must maintain documentation of medical necessity if a higher cost drug or item is prescribed in accordance with maintenance of records and auditing requirements (ARM 37.85.414). Furthermore, the prescriber will be liable for overpayments if the lowest cost drug or DME item is not prescribed.
4. Prescriber established medical necessity criteria is contrary to the requirements set forth in 42 USC 1396r-8(g)(1)(A) where the Drug Use Review Board shall assure "that prescriptions (i) are appropriate, (ii) are medically necessary, and (iii) are not likely to result in adverse medical results." Criteria is determined by the board and enforced through the Departments prior authorization programs. Following HJR 32 (2005), the Department and DME provider workgroup established Medicare DME criteria for medical necessity determinations. This criteria is also enforced through a prior authorization program. A prescriber established medical necessity criterion bypasses the established criteria and prior authorization programs.

Legislative Fiscal Division (LFD)

5. The total estimated general fund impact for the 2017 biennium is $36,660. Section 7, subsection 1, of the bill appropriates $35,000 from the general fund to the legislative fiscal division.
6. It is unclear whether the LFD staff has the appropriate expertise to conduct the actuarial analyses needed to assess and evaluate a primary coordinated care model that uses capitated payments to examine the study areas outlined in the bill.

Sponsor's Initials	*Date*	*Budget Director's Initials*	*Date*